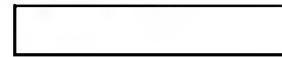


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DIRECTORATE OF  
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ARGENTINA: Juan Peron's homecoming today will be tightly controlled by the armed forces.

Some 30,000 troops have cordoned off Ezeiza Airport, where the former president is scheduled to arrive at 0900 EST, using tanks to block the few roads that lead from central Buenos Aires 21 miles to Ezeiza. The Lanusse government has also reminded the nation that the state of siège remains in effect and that mass rallies and demonstrations are forbidden. Troops have occupied radio and television stations to prevent extremist take-overs, and all schools, public establishments, and private businesses have been closed down.

One aspect of the government's security precautions to "protect" Peron that is particularly galling to the Peronists is the restriction of the airport welcoming party to only 300. Peronist sources suggested that this might cause Peron's aircraft to be diverted to Uruguay, although in Rome Peron's private secretary labeled as false all reports that the trip might be delayed or canceled.

Peron has termed his visit--expected to last no longer than a week--a "mission of peace" and has called upon the Peronist masses to take no action that might thwart him. Nonetheless, his presence in the country will provide dissidents on the right and terrorists on the left with the best chance they are likely to get to sabotage the elections scheduled for next March. This risk is compounded by the possibility that an over-reaction by Peronists or the security forces could set off a chain reaction of violence desired by neither side.

Neither President Lanusse nor Peron has confirmed that a political agreement has been reached, but earlier reporting indicated that both sides expected Peron to give his approval to Lanusse's election plan and possibly to endorse another candidate to carry the Peronist banner. Lanusse will

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be out of the capital when Peron arrives, but he is due back Saturday. No meeting between the two long-time rivals is scheduled, but there are indications that an understanding exists and they may get together to put the finishing touches on an agreement. [redacted]

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EGYPT: Signs of political ferment continue to surface.

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According to [redacted] the US Interests Section in Cairo, an incident, possibly a coup attempt by a group of air force officers, occurred at an Egyptian airbase south of Cairo within the past few days. Although details of the episode are sketchy, as many as 20 arrests may have been made. One version of the affair alleges that the director of military intelligence was dismissed following the incident.

The recent activities of Egypt's two leading military figures provide an indication of official concern over the episode. War Minister Ahmad Ismail Ali, who had been scheduled to attend the meeting of Arab foreign and defense ministers in Kuwait beginning on 15 November, apparently delayed his departure by one day, during which he continued his recent series of visits with Egyptian troops, exhorting them to "maintain discipline" and focus on strictly military matters in preparation for "the battle against Israel." Chief of Staff Shazli did go to Kuwait, but returned after only one day.

A number of other manifestations of the malaise in Egyptian society have appeared in recent weeks. In early October, an incident involving a small number of army personnel who publicly denounced the Sadat regime took place in Cairo but was quickly quelled by security forces. More recently, there was an outburst of sectarian strife between Egyptian Muslims and adherents of the Coptic faith.

All these were apparently isolated incidents, and so far there is no evidence that the many disaffected elements in Egyptian society are coalescing. Sadat presumably is taking greater security precautions, but as discontent increases, so do the dangers to his position. [redacted]

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CHILE: Lawsuits involving Chile's copper exports may increase.

The Swedish Government, despite its sympathy for President Allende, turned down Santiago's request last week to circumvent a preliminary court decision favorable to the Kennecott Corporation which is contesting proceeds from copper sold from its nationalized El Teniente mine. Stockholm refused to buy some Chilean copper that came under jurisdiction of a Swedish court, telling Santiago that it could not intervene in a dispute over compensation for nationalized resources.

Now there are indications that Cerro Corporation, another of three US companies whose copper holdings were nationalized, may eventually launch a legal campaign similar to that of the Kennecott Corporation. Chile signed a compensation agreement with Cerro, but has failed to meet scheduled payments. To put pressure on the Chilean Government, Cerro has informed Santiago that it has an even stronger legal position than Kennecott and could easily seize the proceeds from Chilean copper sales to Japan from Cerro's nationalized mine.

These legal actions and threats of others pose substantial problems for a nearly bankrupt Chile. Although the sums involved so far are not large, some copper buyers in Western Europe are holding off on negotiations for 1973 sales contracts. Perhaps in an attempt to minimize further legal proceedings, Chile is reportedly considering a barter deal with China to exchange some copper, presumably from Kennecott's El Teniente mine, for soybean oil and other foodstuffs.

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LAOS: Prime Minister Souvanna is attempting to step up the pace of negotiations.

Souvanna has invited Lao Communist leader Souphanouvong to come to Luang Prabang, the royal capital, for discussions. Souvanna presumably believes that direct private dealings with his half-brother are the best way to move forward on such difficult issues as a Lao cease-fire and the shape of any future government. Many of the arrangements for the Lao settlement of 1962 were worked out in face-to-face meetings between the two leaders.

The government is clearly attempting to create a favorable atmosphere for the ongoing sessions in Vientiane. The official Lao newspaper on 14 November carried an optimistic account of the fifth session of the peace talks on Tuesday, emphasizing the similarity of the positions of both sides.

The Communists have thwarted government efforts to re-establish a presence north of the Bolovens Plateau before a possible cease-fire. Communist artillery attacks and ground assaults by two North Vietnamese battalions forced irregular units on 15 November to withdraw from Saravane, a provincial capital that had been reoccupied by the government earlier this month. Irregular units attempting to retake the town are meeting stiff resistance. [redacted]

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CYPRUS: Increased activity by forces loyal to General Grivas has created concern in the Greek Cypriot community, but President Makarios maintains that there is no reason for alarm.

Last week Greek Cypriot authorities uncovered a new underground organization known as EOKA B, believed to be headed by Grivas, a persistent campaigner for enosis--union with Greece. Authorities have since intensified security precautions and increased police patrols around the island.

Makarios, in a conversation with a US Embassy official, played down the significance of groups such as EOKA B, claiming he can control any moves by Grivas supporters. At least some of his outward confidence may be for popular consumption; he may feel expressions of concern would only add to tensions within the Greek Cypriot community. In recent months, the community has seemed unusually united in its willingness to end differences with the Turkish Cypriots, and this has led to a more forthcoming attitude in the intercommunal talks.

In an attempt to undermine the talks by destroying this unity, Grivas could decide on a campaign of violence. The effects of such tactics would depend largely on the ability and willingness of Greek Cypriot security forces to ferret out Grivas supporters. Pro-Grivas sentiment is known to exist among some elements of the security forces. The outcome of Grivas' effort would also depend upon Makarios' success in turning the considerable support he enjoys within the Greek Cypriot community against Grivas. [redacted]

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NOTE

HONG KONG - CHINA: Economic ties between Hong Kong and China are being strengthened. Early this week Peking agreed to sell an additional 3.5 billion gallons of water to the colony through August 1973. As a result, Hong Kong will receive about one fourth of its water from China. Peking will earn an additional \$3.9 million in hard currency from the arrangement, slightly increasing the colony's importance as a source of foreign exchange. Meanwhile, a Chinese delegation is in Hong Kong investigating the hotel business with an eye toward setting up operations there or developing tourist facilities in China.

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As the new dry season begins in Laos, the Communists must view the results of their military activities during the recently ended rainy season with some satisfaction. In the north, they managed to turn back all of Vang Pao's efforts to match last year's recapture of the Plaine des Jarres--despite the fact that a full North Vietnamese division withdrew for service in South Vietnam. In the south, they succeeded in keeping government forces well away from the Ho Chi Minh supply corridor to South Vietnam and Cambodia.

The Contest for the Plaine

As the rainy season began in April in north Laos, the Communists were still maintaining pressure against Long Tieng. Their siege of Vang Pao's headquarters quickly ended, however, because of the early arrival of rainy weather, which washed out their supply route, and the redeployment of the North Vietnamese 312th Division to South Vietnam. When the Communists abandoned positions overlooking Long Tieng, they shifted the bulk of their forces to a line of hills southwest of the Plaine to check possible government offensives. With the departure of the 312th, the North Vietnamese were left with four regiments--the same number they had during the 1971 rainy season when they did not make any real attempt to defend the Plaine.

The North Vietnamese pullback allowed government forces to recapture Sam Thong, a former refugee center just north of Long Tieng, and several nearby hills. The irregulars tried unsuccessfully to breach the Communist defensive line southwest of the Plaine in June and July, but relatively few irregular units were involved because most of Vang Pao's tribal forces were returned to rear areas for badly needed rest and refitting. The respite

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delayed any major government rainy season campaign in the north. By mid-August, Vang Pao was able to commit nearly all of his 6,000 retrained tribal troops, plus some 4,000 troops from other areas, to a major offensive against the Plaine. The military objective was to push the Communists far enough back to limit the effectiveness of any enemy drive on Long Tieng the following dry season. Its political aim was to regain as much territory as possible to strengthen Prime Minister Souvanna's hand in any possible peace negotiations with the Communists.

For the next two and a half months, irregular task forces tried to move onto the Plaine from the north, west, and south. The North Vietnamese used one of their crack regiments to hold the defensive line southwest of the Plaine, while their other three regiments--despite heavy air strikes--maneuvered from one sector of the Plaine to another to inflict a series of defeats on the irregulars. Vang Pao had intended a simultaneous advance to prevent the Communists from concentrating their limited manpower, but the irregular columns made no real effort unless the Meo general was personally on the scene.

As the rains began to taper off in mid-October, Vang Pao concentrated over 5,000 men--including some of the government's best troops--in a single task force on the southern tip of the Plaine. After making some limited progress, these troops lost just enough momentum to allow the Communists to concentrate the bulk of three regiments against them. On 26 October Communist ground forces, tanks, and artillery routed the government troops, killing over 100, wounding 200, and capturing many more. Vang Pao is currently attempting to regroup the remaining elements of his badly battered force in the hills a few miles south of the Plaine, but they are still under heavy enemy pressure.

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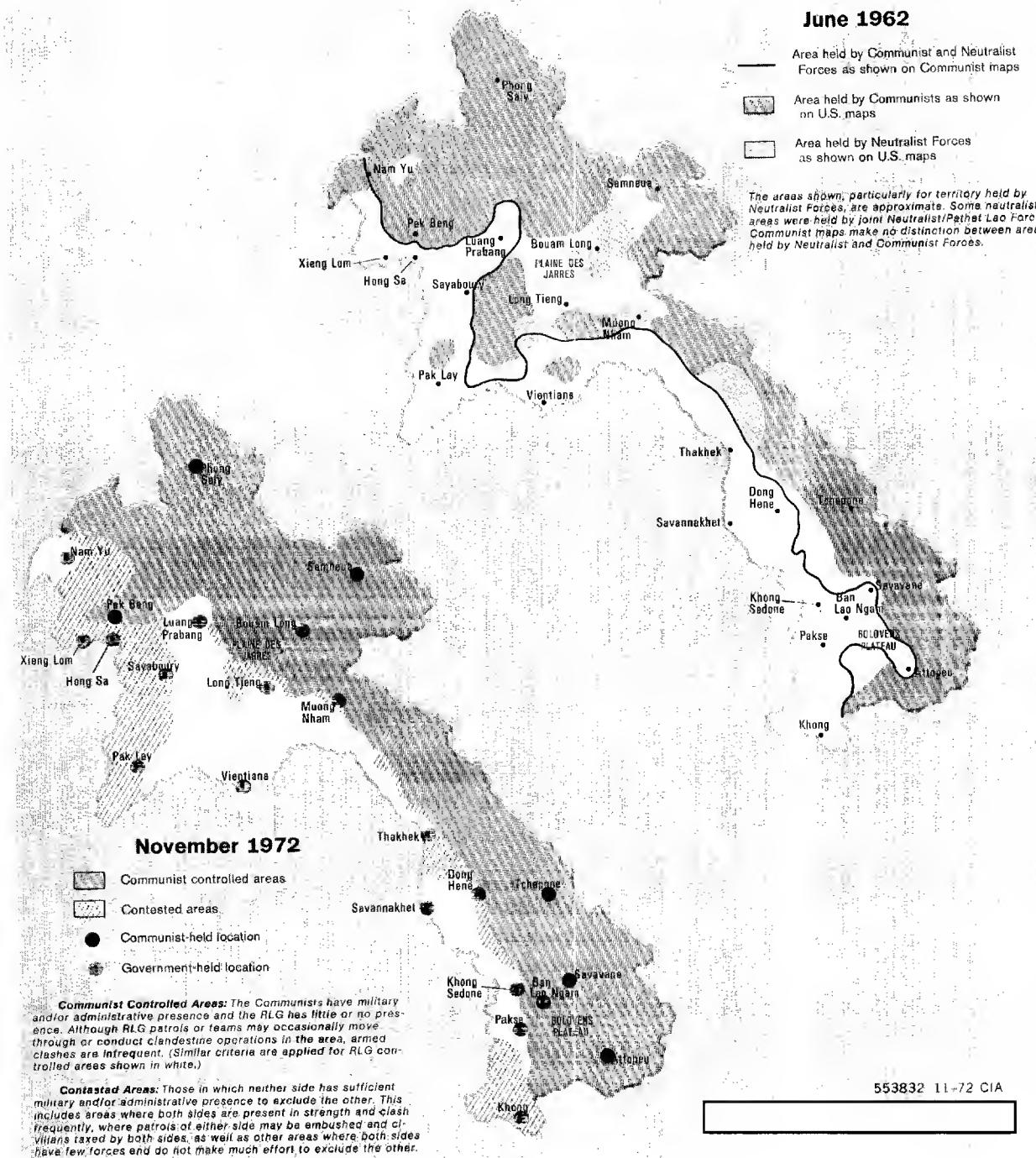
Fighting in the South

In south Laos, the North Vietnamese objective was little different from previous years--to keep the government at arms-length from the Ho Chi Minh trail complex. But they were a bit more aggressive. Communist pre-emptive moves began in mid-May, when a North Vietnamese regiment for the first time occupied Khong Sedone, a provincial capital north of Pakse. Although government troops managed to recapture Khong Sedone in early June, it took them another two months to drive the North Vietnamese well away from the surrounding area. The fighting at Khong Sedone resulted in some heavy casualties on both sides, and the irregulars had to have several weeks of rest and retraining before they could be committed to regain lost ground.

At the same time that the North Vietnamese moved into Khong Sedone, other Communists were launching strong attacks farther south against government defensive positions just 15 miles from Pakse. Elements of one North Vietnamese regiment kept up these attacks throughout the summer, successfully tying down government troops east of that important southern town. The combined pressure in the Khong Sedone and Pakse sectors prevented the government from organizing any sizable offensive operations in the south until mid-October. In early November eight irregular battalions managed to occupy Saravane--a provincial capital north of the Bolovens Plateau--while other government units moved into the village of Ban Lao Ngam, which is on an important Communist supply route. The Communists attempted to forestall this government offensive by once again attacking Khong Sedone and the frontline east of Pakse, but they failed. The North Vietnamese are now focusing their attention on eliminating the government presence north of the Bolovens and have already reoccupied Saravane.

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**LAOS: Communist Controlled Areas**

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### Looking Ahead

The government's failure to redress the losses sustained in the previous dry season leaves the Communists in a good military position. The prospect of an imminent settlement in Vietnam and a cease-fire in Laos, however, adds political dimensions to the military situation. An end to the fighting is now obviously uppermost in the thoughts and actions of both sides, and the dry season seems likely to bring a series of attacks and maneuvers in anticipation of some form of in-place cease-fire.

In some areas this seems well under way. The Communists staged their strongest attacks in over a year to drive dispirited irregular battalions back to within ten miles of the royal capital of Luang Prabang and have recently attacked the airfield there with rockets. Enemy units made an unprecedented attack on Keng Kok, southeast of Savannakhet, and broke a long-standing informal local arrangement by attacking Thakhek, a provincial capital on the Mekong and several other positions to the north near Route 13. The timing of these unusual attacks suggests that they were probably aimed in part at making some limited territorial gains in light of the peace talks now under way in Vientiane. At a minimum, they serve to remind the government that military pressure can be increased if the negotiations remain stalled.

In the north, the course of future fighting seems less clear. It is not at all certain that the North Vietnamese will mount a major attack on Long Tieng once they have mopped up Vang Pao's remnants near the Plaine. Any full-scale attack on Vang Pao's defenses around Long Tieng would require a respectable buildup of new troops and supplies from North Vietnam. Some troops to fill out

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the ranks of units already in place have been detected moving toward the Plain, but no significant amounts of supplies have been shipped.

If a cease-fire is arranged in the next several weeks, the Communists will clearly control more than half of Laos, more territory than they held at the time of the 1962 cease-fire. An exact comparison between 1962 and 1972, however, is not possible because no effort was made ten years ago to draw an agreed upon cease-fire line or to pinpoint troop locations.

Government and Communist negotiators in Vientiane have not yet come to grips with the questions of a cease-fire and withdrawal of foreign troops. If, however, North Vietnamese forces are eventually withdrawn and the government accedes to Communist demands that irregular units be disbanded, the opposing military forces would consist of the Royal Lao Army and the Pathet Lao. Vientiane's regular army stands at some 48,000 men--including some nominally "neutralist" units--while the Lao Communists have approximately 35,000 to 45,000 combat and support troops spread throughout the country. Over the years these indigenous Lao forces of both sides have not been particularly aggressive or effective. Without foreign prodding they would probably be generally willing, if not eager, to comply with the terms of any cease-fire.

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